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AZ CORP COMMISSION
DOCUMENT CONTROL

May 5, 2004

Docket Control Center
AZ Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007-2996

RE: TransWorld Network, Corp
Docket: T-04246A-04-0201
Response to first set of data requests

To Whom It May Concern::

Enclosed please find for filing an original and 15 copies of the items requested in Staff's first data request, dated March 19, 2004. The items are as follows:

1. Affidavit of Publication in the Arizona Republic—statewide circulation as TransWorld Network, Corp. seeks statewide authority.
2. Attachment D of the application form—Financial statements for calendar years 2002 and 2003 with accompanying notes and audit reports as requested.

Both items have been submitted with separate cover sheets , as is required. For your convenience, I have also included a copy of your letter requesting the above information.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage paid envelope. If you have any questions, or if I may provide you with additional information, please do not hesitate to contact me. I can be reached at (813) 890-2207 from 8:00am to 5:00pm EST.

Respectfully submitted,

Lourdes Viñas

Lourdes Viñas
Director, Regulatory & Compliance

Arizona Corporation Commission
DOCKETED

MAY 10 2004

DOCKETED BY	

Enclosures

ORIGINAL

TRANSWORLD NETWORK, CORP.
UNAUDITED OPERATING INCOME STATEMENT
12 MONTHS ENDED DEC 31 03

T-04246A-04-0201

	CURRENT MONTH	BUDGET MONTH	CURRENT Y-T-D	BUDGET Y-T-D
REVENUES	1,798,092	2,119,341	20,662,328	21,939,128
OPERATING COSTS	1,596,015	1,984,854	19,744,465	21,408,823
OPERATING INCOME	202,077	134,487	917,863	530,305
LOSS ON F/A DISP	0	0	0	0
AMORTIZATION	31,212	15,000	189,481	180,000
INTEREST/DIVIDEND EXPEN	3,452	0	42,993	0
INCOME TAXES	75,346	0	263,806	0
OTHER INCOME	1,954	0	1,954	0
NET INCOME	94,021	119,487	423,537	350,305

TRANSWORLD NETWORK, CORP.
UNAUDITED BALANCE SHEET
AS AT DEC 31 03

	CURRENT MONTH
ASSETS	
BANK and SECURITIES	215,518
ACCTS REC. - NET	2,067,511
PREPAID/DEPOSITS	46,657
TOTAL CURRENT ASSETS	2,329,686
CAPITAL ASSETS	1,105,574
LESS: ACCUM AMORT.	(424,871)
NET CAPITAL ASSETS	680,703
TOTAL OTHER ASSETS	1,599,148
Total ASSETS	4,609,537
LIABILITIES & STOCKHOLDERS' EQUITY	
A/P & ACCRUALS	2,758,835
INCOME TAX LIABILITIES	468,903
LEASE OBLIGATION - CURRENT	0
CURRENT LIABILITIES	3,227,738
LEASE OBLIGATION	0
TOTAL LIABILITIES	3,227,738
DUE TO SHAREHOLDERS	1,414,458
CAPITAL STOCK	240,000
RETAINED EARNINGS	(696,197)
CURRENT INCOME	423,539
ROUNDING	1
TOTAL STOCKHOLDERS' EQUITY	1,381,799
TOTAL LIAB. & STOCKHOLDERS' EQUITY	4,609,537

TransWorld Network, Corp
Selected Financial Statement Information
For the Year Ended December 31, 2002

Consolidated Statement of Operations

Revenue	**$ 16,868,085**
Net Income	**$ 153,296**

Consolidated Balance Sheets

Total Assets	**$ 4,145,602**
Total Liabilities & Stockholders' Equity	**$ 4,145,602**

KIRKLAND, RUSS, MURPHY & TAPP
CERTIFIED PUBLIC ACCOUNTANTS

13577 Feather Sound Drive, Suite 400
Clearwater, Florida 33762-5539
(727) 572-1400 Fax (727) 571-1933
internet: www.KRMTCPA.com

Independent Auditors' Report

The Board of Directors and
Stockholders of PCC Holdings, Inc.
and Subsidiaries:

We have audited the accompanying consolidated balance sheets of PCC Holdings, Inc. and Subsidiaries (Company) as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year and ten months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PCC Holdings, Inc. and Subsidiaries as of December 31, 2002 and 2001 and the results of their operations and their cash flows for the year and ten months then ended, in conformity with accounting principles generally accepted in the United States of America.

Kirkland, Russ, Murphy & Tapp P.A.

April 9, 2003, except for Note 14 (a) and (b)
as to which the date is June 3, 2003 and
August 29, 2003, respectively

A Professional Association

PCC HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

(1) Summary of Significant Accounting Policies

(a) Organization

PCC Holdings, Inc. and Subsidiaries (Company) is a telecommunication service provider. The Company offers discounted long distance and related services.

(b) Principles of Consolidation

These financial statements present the consolidated financial position and results of PCC Holdings, Inc. and its wholly-owned subsidiaries, Transworld Network Corporation, Transworld Network International, Ltd. and PowerC Holdings (Canada), Inc. The results of OEBusiness.com, Ltd., a 61.05% owned subsidiary and its wholly-owned subsidiary OECommerce.com, Ltd. have also been included. All significant intercompany transactions have been eliminated in consolidation.

(c) Fiscal Year

The Company was incorporated in 2001 and has adopted a calendar year end reporting cycle.

(d) Property, Fixtures and Equipment

Property, fixtures and equipment are stated at cost. Depreciation and amortization are provided utilizing accelerated and straight-line methods over the estimated useful service lives of the related assets.

Periodically, the Company evaluates the recoverability of the net carrying value of its property, fixtures and equipment by estimating its fair value. The fair value is compared to the carrying amount in the consolidated financial statements. A deficiency in fair value relative to carrying amount is an indication of the need for a writedown due to impairment. If the total of future undiscounted cash flows were less than the carrying amount of the property, fixtures and equipment, such carrying amount would be written down to the fair value, and a loss on impairment recognized by a charge to earnings. The Company's accounting policy complies with Statement of Financial Accounting Standards No. 144.

(1) Summary of Significant Accounting Policies - Continued

(e) Goodwill

The Company has adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which was issued by the Financial Accounting Standards Board (FASB) in July 2001. SFAS No. 142 supercedes APB No. 17, "Intangible Assets." SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition. This statement also requires goodwill amortization to cease and for goodwill to be periodically reviewed for impairment, for fiscal years beginning after December 31, 2001. The adoption of this statement by the Company resulted in no reduction to the net carrying amount of previously recorded goodwill.

(f) Revenue Recognition

Revenue is recognized as service is provided. Unbilled revenue net of an estimate of related cost is included in the accompanying consolidated balance sheet.

(g) Income Taxes

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect of a change in tax rates on deferred tax assets or liabilities is recognized in income in the period that included the enactment.

Operations of foreign subsidiaries located in Bermuda are not subject to federal, state or local tax.

(h) Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(1) Summary of Significant Accounting Policies - Continued

(i) Concentration of Credit Risk

Cash balances are maintained in financial institutions. Occasionally, deposits exceed amounts insured by the Federal Deposit Insurance Corporation.

(j) Advertising Costs

Advertising costs are expensed as incurred and are included in selling, general and administrative expense in the accompanying consolidated statement of operations. Total advertising expense was approximately $132,000 and $110,000 for the year and ten months ended December 31, 2002 and 2001, respectively.

(k) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(l) Allowance for Doubtful Accounts

Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts and management's estimate of the amount that will actually be collected. Accounts receivable are reported net of an allowance for doubtful accounts.

(2) Property, Fixtures and Equipment

Property, fixtures and equipment consist of the following at December 31, 2002 and 2001:

	2002	2001
Computer equipment	$ 398,426	194,750
Furniture and fixtures	62,023	55,272
Field equipment	112,210	112,205
Office equipment	7,240	45,300
Telecom equipment	178,689	196,848
Leasehold improvements	22,797	22,797
	781,385	627,172
Accumulated depreciation and amortization	(247,585)	(151,716)
Total	$ 533,800	475,456

(3) Restricted Assets

Restricted assets – certificates of deposit represent collateral held by a commercial bank to back letters of credit issued by the Company. Letters of credit of approximately $100,000 and $150,000 were outstanding at December 31, 2002 and 2001, respectively.

(4) Business Acquisitions

Effective February 28, 2001, the Company acquired all the outstanding common stock of Transworld Network Corporation, a subsidiary of Transworld Group, Inc. The acquisition of this entity has been accounted for by the purchase method. The effect of the $591,685 purchase price ($250,000 cash and $341,685 assumption of lease obligations) resulted in an excess purchase price over the net worth of the acquired entity of $311,899, which is reported in the accompanying consolidated balance sheet as goodwill.

During 2002, certain liabilities recorded as part of the original purchase were adjusted resulting in the reduction of recorded goodwill by $197,107.

In 2002, the Company acquired all of the outstanding equity interests of Transworld Network International, Ltd. (TWNI) and a 61.05% equity interest in OECommerce.com, Ltd. (OEC). One of the Company's stockholders owns the remaining 38.95% of OEC. The acquisition of these entities has been accounted for utilizing the purchase method of accounting. The total purchase price of $716,281 attributed to these transactions has been allocated to intangible assets (see Note 5).

(5) Intangible Asset

During 2002, the Company acquired certain electronic commerce rights as part of a business acquisition. As of December 31, 2002 these rights had not been put into service. Therefore, no amortization expense has been reflected in the accompanying consolidated statement of operations. Management's intent is to commence utilization of these rights in the near future.

(6) Goodwill

The carrying amount of goodwill as of December 31, 2002 and 2001 is $106,128 and $303,235, respectively.

(6) Goodwill - Continued

Following is a reconciliation showing the effect of net income before income taxes for the ten months ended December 31, 2001 in comparison to net income before income taxes for the year ended December 31, 2002, as if the provisions of SFAS No. 142 had been applied as of March 1, 2001:

	2002	2001
Reported net income (loss) before income taxes	$ 383,296	(1,043,083)
Goodwill amortization	-	8,664
Adjusted net income (loss) before income taxes	$ 383,296	(1,034,419)

(7) Lease Obligations

Lease obligations represent amounts due on leases on property not utilized by the Company. These leases were assumed as part of the acquisition outlined in Note 4 above and are presented net of estimated sublease revenue. The leases expire in March 2003.

(8) Preferred Stock

During 2001, Transworld Network Corporation (Transworld), issued 700,000 shares of preferred stock at an aggregate price of $700,000. The holders of the preferred stock were not entitled to vote except on matters specifically provided for in the articles of incorporation.

During 2002, the preferred stock was converted into a $700,000 revolving line of credit due to related parties. The line bears interest at prime rate plus 2% (6.25% at December 31, 2002) and is due on demand.

(9) Income Taxes

Income tax (expense) benefit for the year and ten months ended December 31, 2002 and 2001 consists of the following:

2002	Current	Deferred	Total
Federal	$ -	(207,000)	(207,000)
State	-	(23,000)	(23,000)
Total	$ -	(230,000)	(230,000)

(9) Income Taxes - Continued

2001	Current	Deferred	Total
Federal	$ -	335,000	335,000
State	-	37,630	37,630
Total	$ -	372,630	372,630

Actual tax (expense) benefit differs from that anticipated when applying the federal rate of 35% as outlined below:

	2002	2001
Expected (expense) benefit at 35%	$ (135,000)	365,000
State (expense) benefit, net of federal impact	(15,000)	37,630
Foreign subsidiary operations (losses) not subject to income taxes	(60,000)	-
Various permanent differences	(20,000)	(30,000)
	$ (230,000)	372,630

Temporary differences giving rise to deferred tax assets and liabilities as of December 31, 2002 and 2001 are summarized as follows:

	2002	2001
Bad debt allowance	$ 47,000	40,000
Accounts payable and accrued expenses	123,000	790,000
Lease obligations	18,000	90,000
Section 481 adjustment	34,000	-
Net operating loss carryfowards	156,000	290,000
Total deferred tax assets	378,000	1,210,000
Accounts receivable	-	(375,000)
Unbilled revenue, net	-	(225,000)
Other current assets	-	(5,000)
Property, fixtures and equipment, net	(53,000)	(50,000)
Total deferred tax liabilities	(53,000)	(655,000)
Net deferred tax assets	325,000	555,000
Less current portion thereof	(188,000)	(315,000)
Deferred income taxes net of current portion	$ 137,000	240,000

(9) Income Taxes - Continued

The Company also has net operating loss carryfowards for income tax purposes which may be utilized to offset future taxable income of approximately $410,000. Utilization of approximately $180,000 of these carryforwards is restricted to approximately $16,000 per year through 2015. The remaining balance expires in 2021.

(10) Commitments and Contingencies

(a) Operating Lease

The Company leases office space serving as its corporate headquarters in Tampa, Florida. These leases expire through 2008.

Future approximate minimum lease payments on this operating lease are approximately as follows:

Year ended December 31, 2003	$ 345,000
Year ended December 31, 2004	349,000
Year ended December 31, 2005	191,000
Year ended December 31, 2006	122,000
Year ended December 31, 2007	51,000
Thereafter	17,000

Lease expense under the above and other similar agreements was approximately $250,000 and $185,000 for the year and ten months ended December 31, 2002 and 2001, respectively.

(11) Related Party Transactions

Due from related parties balances represent short-term advances to officers and affiliates of the Company. These amounts are non-interest bearing and are due upon demand.

Note payable to related party represents amounts advanced by the Codan Trust Company (Cayman) Limited, a family trust of a stockholder of the Company. The balance outstanding bears interest at prime plus 2% and is due upon demand.

Due to stockholders represents amounts advanced by the Company's stockholders. The balances outstanding, which are non-interest bearing, are due upon demand.

(12) <u>Concentrations</u>

The Company derives substantially all of its revenue from members of rural utility cooperatives under marketing agreements with the cooperatives. The cancellation of any of the underlying marketing agreement with these cooperatives could have a material impact on the Company's operations.

The Company utilizes transmission lines and facilities of other telecommunications companies to provide service to its customers. During the year and ten months ended December 31, 2002 and 2001, approximately 90% and 85% of the Company's revenue was generated utilizing the services of one such carrier, Global Crossing. In January of 2002, Global Crossing filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. Management believes that the Company can replace services offered by Global Crossing with those of another carrier with minimal disruption to operations if need be.

(13) <u>Litigation</u>

The Company is currently in litigation with a former employee alleging that the former employee, among other matters, violated terms of an employment and subsequent settlement agreement. The Company is seeking court assistance in enforcement of the aforementioned agreements and compensation for damages incurred. The defendant in this matter has answered the Company's allegations with counterclaims alleging breach of contract by the Company and unfair restraint of trade in addition to claims of damages in excess of $50,000. The Company has denied the counterclaims and intends to pursue this matter vigorously.

Due to the incipient stages of this matter, legal counsel is currently unable to render an opinion as to the likelihood of a favorable or unfavorable outcome.

In addition to the above matter, the Company is involved from time to time in other legal matters that arise during the customary course of its business. Management does not believe that the resolution of these matters will have a material impact on the Company's operations.

(14) <u>Subsequent Event</u>

(a) During May 2003, the Company acquired all outstanding common stock of a Michigan based Internet Service Provider ("ISP") in exchange for $150,000 as adjusted for liabilities assumed by the Company as defined in the stock purchase agreement. The purpose of this acquisition is to enable 140,000 consumers throughout Michigan to access bundled internet and long distance services.

(14) Subsequent Event – Continued

(b) In August of 2003, the Company filed documents with the State of Indiana to transfer up to 100,000 shares of common stock in a private offering with Servco LLC (Servco). These shares are to be issued to Servco upon satisfaction of certain predetermined marketing goals as additional incentive as stated in the Strategic Marketing Alliance Agreement between the Company and Servco.